S
352.744
L72MSL
1994

Office of the Legislative Auditor

State of Montana

Report to the Legislature

January 1994

Financial-Compliance Audit

For the Two Fiscal Years Ended June 30, 1993

Montana State Library Commission

This report contains one recommendation concerning proper recording of $110,000 in advances.

STATE DOCUMENTS COLLECTION

JUN 10 1994

MONTANA STATE LIBRARY
1515 E. 6th AVE.
HELENA, MONTANA 59620

PLEASE RETURN

Direct comments/inquiries to:
Office of the Legislative Auditor
Room 135, State Capitol
PO Box 201705
Helena MT 59620-1705

93-23

MONTANA STATE LIBRARY
3 0864 0014 8698 7

FINANCIAL-COMPLIANCE AUDITS

Financial-compliance audits are conducted by the Office of the Legislative Auditor to determine if an agency's financial operations are properly conducted, the financial reports are presented fairly, and the agency has complied with applicable laws and regulations which could have a significant financial impact. In performing the audit work, the audit staff uses standards set forth by the American Institute of Certified Public Accountants and the United States General Accounting Office. Financial-compliance audit staff members hold degrees with an emphasis in accounting. Most staff members hold Certified Public Accountant (CPA) certificates.

The Single Audit Act of 1984 and OMB Circular A-128 require the auditor to issue certain financial, internal control, and compliance reports regarding the state's federal financial assistance programs, including all findings of noncompliance and questioned costs. This individual agency audit report is not intended to comply with the Single Audit Act of 1984 or OMB Circular A-128 and is therefore not intended for distribution to federal grantor agencies. The Office of the Legislative Auditor issues a statewide biennial Single Audit Report which complies with the reporting requirements listed above. The Single Audit Report for the two fiscal years ended June 30, 1991 has been issued. Copies of the Single Audit Report can be obtained by contacting:

Office of the Legislative Auditor
Room 135 State Capitol
PO Box 201705
Helena MT 59620-1705

MEMBERS OF THE LEGISLATIVE AUDIT COMMITTEE

Senator Greg Jergeson, Chairman
Senator Gerry Devlin
Senator Eve Franklin
Senator Tom Keating

Representative John Cobb, Vice Chairman
Representative Ernest Bergsagel
Representative Linda Nelson
Representative Robert Pavlovich

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
PO BOX 201705
HELENA, MONTANA 59620-1705
406/444-3122
FAX 406/444-3036

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:
MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

January 1994

The Legislative Audit Committee
of the Montana State Legislature:

This is our financial-compliance audit report on the Montana State Library Commission's financial activity for fiscal years 1991-92 and 1992-93. The library's written response to the audit recommendation on proper recording of advances is included in the back of this report.

We thank Montana State Library Commission officials and their staff for their cooperation and assistance throughout the audit.

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

Office of the Legislative Auditor

Financial-Compliance Audit
For the Two Fiscal Years Ended June 30, 1993

Montana State Library Commission

Members of the audit staff involved in this audit were Pearl M. Allen, Jeane Carstensen-Garrett, and Chuck Jensen.

Table of Contents

	Appointed and Administrative Officials	ii
	Summary of Recommendations	iii
Introduction	Introduction	1
	Background	1
	State Library Operations Program	2
	Natural Resource Information System Program	3
	Funding	4
Prior Audit Recommendations	Prior Audit Recommendations	5
Findings and Recommendations	Recording Advances	6
Independent Auditor's Report & Agency Financial Schedules	Summary of Independent Auditor's Report	A-2
	Independent Auditor's Report	A-3
	Schedule of Changes in Fund Balances for the Two Fiscal Years Ended June 30, 1993	A-5
	Schedule of Budgeted Revenue & Transfers In - Estimate & Actual for the Two Fiscal Years Ended June 30, 1993	A-6
	Schedule of Budgeted Program Expenditures by Object & Fund - Budget & Actual for the Fiscal Year Ended June 30, 1993	A-7
	Schedule of Budgeted Program Expenditures by Object & Fund - Budget & Actual for the Fiscal Year Ended June 30, 1992	A-8
	Notes to the Financial Schedules	A-9
Agency Response	Montana State Library Commission	B-3

Appointed and Administrative Officials

Montana State Library Commission

		Term Expires
Anne Hauptman, Chairperson	Billings	May 1996
Mary Doggett	White Sulphur Springs	May 1995
Michael Schulz*	Dillon	April 1995
Diana Loble	Helena	**
Myrna Lundy	Fort Benton	May 1996
Peggy Guthrie	Choteau	May 1994
Vada Taylor	Glendive	May 1994

* Appointed by the Commissioner of Higher Education from the Montana University System.

** Designated by the Superintendent of Public Instruction. No term is set.

Administration

Richard T. Miller, Jr.	State Librarian
Allan B. Cox	NRIS Coordinator
Darlene Staffeldt	Coordinator of Information Resources and Coordinator of Library Development
Sandra Jarvie	Coordinator of Talking Book Library
Kris Schmitz	Accountant
Mary Jane West	Administrative Assistant

Summary of Recommendations

This listing below serves as a means of summarizing the recommendations contained in the report, the library's response thereto, and a reference to the supporting comments.

Recommendation #1 — We recommend the library properly record outstanding advances. 6

Agency Response: Concur. See page B-4.

Introduction

Introduction

We performed a financial-compliance audit of the Montana State Library Commission (library) for the two fiscal years ended June 30, 1993. The objectives of the audit were to:

1. Make recommendations for improvement in the management and internal controls of the library.
2. Determine if the library complied with applicable laws and regulations.
3. Determine if the library's financial schedules present fairly the results of operations and changes in fund balances for the two fiscal years ended June 30, 1993.
4. Determine the implementation status of prior audit recommendations.

This report contains one recommendation to the library. This recommendation addresses how the library can improve compliance with state law by recording advances in accordance with generally accepted accounting principles. In accordance with section 5-13-307, MCA, we analyzed the cost of implementing this recommendation and determined it was not significant. Other concerns deemed not to have a significant effect on the successful operations of the library programs are not specifically included in the report, but have been discussed with management.

Background

The library is the focal point for the development and improvement of library services in Montana. It provides general library services to Montana state government. The library operates under policies established by the Montana State Library Commission. The commission was created by law in 1929, which is currently codified in Title 22, chapter 1, MCA. The commission consists of seven members as follows: five persons appointed by the Governor, the state Superintendent of Public Instruction or her designee, and a librarian appointed by the Commissioner of Higher Education from the Montana University System.

Montana State Library Commission financial activity is accounted for in two programs: 1) the State Library Operations

Program; and 2) the Natural Resource Information System Program.

State Library Operations Program

State law charges the commission with providing library services to state government and with developing and improving statewide library services. To accomplish this mission, the State Library Operations Program has five main components:

Information Resources provides reference information services and lends materials, either directly to users or through academic, school, special, or public libraries. It also provides centralized library material acquisition, cataloging and technical processing, and operates the state documents depository center. Its responsibilities include servicing the information needs of state government, including direct interlibrary loan services.

Library Development provides assistance to Montana libraries to promote efficient delivery of library services to Montana's citizens. Assistance provided includes budget preparation, library laws, personnel issues, continuing education, collection management, and library technology. Library Development is involved in planning for improvement of library services in the state. Coordination of the library federation system and administration of state and federal grants to local libraries are also integral parts of the Library Development function.

Montana Talking Book Library provides library services for the blind, visually impaired, and physically disabled who are unable to read standard print. The library lends books and magazines in a variety of formats to eligible individuals and institutions. The library maintains and distributes special playback equipment and accessories for the program. Volunteers at the library and the Montana State Prison record books for the blind.

State Institution Library Service manages collection development and funding; and provides consulting services and support for libraries in state institutions,

either directly or through contracts with public libraries. It also administers and manages all aspects of the Montana State Hospital Library.

Administration provides central management, fiscal and accounting, federal program administration, and program-wide services for the library.

Natural Resource Information System Program

The Natural Resource Information System (NRIS) was established by the 1983 Legislature. By law, nine state agencies and the library have representatives on an advisory committee that directs the development of the system. The purpose of NRIS is to make data and information on Montana's natural resources easily and readily accessible. NRIS operates a clearinghouse and referral service to link users with the best sources of information. It helps coordinate among agencies and organizations that collect, manage, or use the same types of natural resource information to prevent duplication of effort and promote information sharing. NRIS has four main components:

Montana Natural Heritage Program maintains a computer-assisted inventory of Montana's biological resources, emphasizing rare, threatened, or endangered plant and animal species and biological communities. The program is operated through a contract with The Nature Conservancy, which operates similar heritage programs in all 50 states and several foreign countries.

Montana Water Information System provides information on Montana surface water, groundwater, water quality, riparian areas, water rights, and climate data.

Montana Geographic Information System (GIS) provides technical assistance for statewide GIS projects and to agencies developing in-house GIS capability. NRIS inventories data available for GIS applications and coordinates GIS data standards and sharing throughout the state.

Montana Natural Resource Index is a geographical and subject indexing system for existing data sources (both published and unpublished).

Funding

Library operations and grants to local libraries are financed from General Fund appropriations, federal assistance pursuant to the Library Services and Construction Act, and .38 percent of the state's Coal Severance Tax. NRIS is funded by state and federal grant revenues received through the Montana Departments of Fish, Wildlife and Parks; State Lands; Health and Environmental Sciences; and Natural Resources and Conservation; and from private sources.

The library was initially authorized 29.5 full-time equivalent (FTE) employees consisting of 21.5 FTE providing library services, 4.0 FTE operating NRIS, and 4.0 FTE providing administrative support for both programs. NRIS operated with approximately 6 additional FTE during the biennium, which were obtained through contract authority.

Prior Audit Recommendations

Prior Audit Recommendations

The previous audit of the library resulted in two recommendations. The library has implemented both recommendations.

Findings and Recommendations

Recording Advances

Section 17-1-102 (5), MCA, requires state agencies to record all necessary transactions before the accounts are closed to present the receipt, use, and disposition of money and property for which the agency is accountable in accordance with generally accepted accounting principles. Complying with these requirements improves the quality, consistency, and comparability of financial information within and between state agencies. It also ensures that accounts are properly, accurately, and consistently measured within, and at the end of, each fiscal year.

During fiscal year 1991-92, the library received advances totalling $115,000 from a private corporation for a Natural Resource Information System contract. Upon receipt, the library recorded the advances as revenue. The corporation reimbursed the library for actual expenditures incurred in fiscal years 1991-92 and 1992-93 with $5,000 of reimbursement coming from (reducing) the amount advanced. The remaining $110,000 advanced, which would have to be returned to the corporation if not spent by the library, was still outstanding at June 30, 1992 and 1993. The library should have recognized the liability to the corporation when the advance transactions occurred, or during its fiscal year-end closing procedures.

By recording the advance as revenue in the Special Revenue Fund, the library overstated revenue on its accounting records by $110,000 in fiscal year 1991-92. Also, liabilities were understated and fund balance was overstated by $110,000 at June 30, 1992 and 1993. The library should correct its accounting records to properly reflect the liability associated with the outstanding advances.

Recommendation #1

We recommend the library properly record outstanding advances.

Independent Auditor's Report & Agency Financial Schedules

Summary of Independent Auditor's Report

Summary of Independent Auditor's Report

The financial schedules presented on pages A-5 through A-11 are prepared from the Statewide Budgeting and Accounting System without adjustments for errors. The following independent auditor's report issued on the financial schedules is intended to convey to the reader the degree of reliance which can be placed on the amounts presented.

The opinion means the reader of the financial schedules should be cautious when using this financial information. The schedules are misstated because, as discussed in note 6 on page A-10, the library overstated Grants, Contracts, and Donations revenue in the Special Revenue Fund for fiscal year 1991-92 by recording advances of $110,000 as revenue. This revenue overstatement also caused the June 30, 1993 fund balance in the Special Revenue Fund to be overstated by $110,000.

STATE OF MONTANA

Office of the Legislative Auditor

STATE CAPITOL
PO BOX 201705
HELENA, MONTANA 59620-1705
406/444-3122
FAX 406/444-3036

LEGISLATIVE AUDITOR:
SCOTT A. SEACAT

LEGAL COUNSEL:
JOHN W. NORTHEY

DEPUTY LEGISLATIVE AUDITORS:
MARY BRYSON
Operations and EDP Audit
JAMES GILLETT
Financial-Compliance Audit
JIM PELLEGRINI
Performance Audit

INDEPENDENT AUDITOR'S REPORT

The Legislative Audit Committee
of the Montana State Legislature:

We have audited the accompanying financial schedules of the Montana State Library Commission (library) for each of the two fiscal years ended June 30, 1992 and 1993, as shown on pages A-5 through A-11. The information contained in these financial schedules is the responsibility of the library's management. Our responsibility is to express an opinion on these financial schedules based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosure in the financial schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, the financial schedules are presented on a comprehensive basis of accounting other than generally accepted accounting principles. The schedules are not intended to be a complete presentation and disclosure of the library's assets and liabilities.

During fiscal year 1991-92, the library recorded advances as revenue. By recording the advances as revenue, the fiscal year 1991-92 Grants, Contracts, and Donations revenue amount presented on the Schedule of Budgeted Revenue & Transfers in - Estimate & Actual and the Budgeted Revenue & Transfers In amount presented on the Schedule of Changes in Fund Balances are overstated by $110,000 in the Special Revenue Fund. This overstatement of revenue also overstated the Special Revenue Fund's June 30, 1993 Fund Balance amount presented on the Schedule of Changes in Fund Balances by $110,000.

In our opinion, except for the effects of the matter discussed in paragraph four, the financial schedules referred to above present fairly, in all material respects, the results of operations and changes in fund balances of the Montana State Library Commission for the two years ended June 30, 1992 and 1993, in conformity with the basis of accounting described in note 1.

Respectfully submitted,

James Gillett

James Gillett, CPA
Deputy Legislative Auditor

November 23, 1993

LIBRARY COMMISSION
SCHEDULE OF CHANGES IN FUND BALANCES
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1993

	General Fund	Special Revenue Funds
FUND BALANCE: July 1, 1991	$ 0[1]	$ 20,673
ADDITIONS		
Fiscal Year 1991-92		
Budgeted Revenue & Transfers In	2,000	1,309,870
Support From State of Montana	1,066,490	
Nonbudgeted Revenue & Transfers In	3,695	5,291
Cash Transfers In		311,370[2]
Prior Year Expenditure Adjustments	772	1,108
Prior Year Revenue Adjustments		197
Fiscal Year 1992-93		
Budgeted Revenue & Transfers In	2,000	1,061,120
Support From State of Montana	1,092,612	
Nonbudgeted Revenue & Transfers In		2,332
Cash Transfers In		353,968[2]
Prior Year Revenue Adjustments		9
Total Additions	2,167,569	3,045,265
REDUCTIONS		
Fiscal Year 1991-92		
Budgeted Expenditures & Transfers Out	1,072,957	1,502,410
Nonbudgeted Expenditures & Transfers Out		4,634
Fiscal Year 1992-93		
Budgeted Expenditures & Transfers Out	1,094,221	1,378,317
Prior Year Expenditure Adjustments	391	1,143
Prior Year Expenditures		(71)
Total Reductions	2,167,569	2,886,433
FUND BALANCE: June 30, 1993	$ 0[1]	$ 179,505

[1] See note 4 on page A-10.
[2] See note 5 on page A-10.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-9.

LIBRARY COMMISSION
SCHEDULE OF BUDGETED REVENUE & TRANSFERS IN - ESTIMATE & ACTUAL
FOR THE TWO FISCAL YEARS ENDED JUNE 30, 1993

	Other Financing Sources	Charges For Services	Grants, Contracts, Donations	Federal	Total
Fiscal Year 1992-93					
GENERAL FUND					
Estimated Revenue	$ 2,000				$ 2,000
Actual Revenue	2,000				2,000
Collections Over (Under) Estimate	$ 0				$ 0
SPECIAL REVENUE FUND					
Estimated Revenue[2]	$10,000	$ 2,600	$238,225	$1,389,300	$ 1,640,125
Actual Revenue	10,000	2,294	333,550	715,276	1,061,120
Collections Over (Under) Estimate	$ 0	$ (306)	$ 95,325	$ (674,024)	$ (579,005)
Fiscal year 1991-92					
GENERAL FUND					
Estimated Revenue	$ 4,000				$ 4,000
Actual Revenue	2,000				2,000
Collections Over (Under) Estimate	$(2,000)				$ (2,000)
SPECIAL REVENUE FUND					
Estimated Revenue[2]	$10,000	$ 1,991	$549,671	$ 1,858,116	$ 2,419,778
Actual Revenue	10,000	912	524,038[1]	774,920	1,309,870
Collections Over (Under) Estimate	$ 0	$(1,079)	$(25,633)	$(1,083,196)	$(1,109,908)

[1] See note 6 on page A-10.
[2] See note 7 on page A-11.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-9.

LIBRARY COMMISSION
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT & FUND
BUDGET & ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1993

	State Library Operations	Natural Resource Information System	Total
PERSONAL SERVICES			
Salaries	$ 574,918	$ 302,151	$ 877,069
Other Compensation	2,225		2,225
Employee Benefits	144,360	70,890	215,250
Total	721,503	373,041	1,094,544
OPERATING EXPENSES			
Other Services	100,883	115,466	216,349
Supplies & Materials	19,193	13,815	33,008
Communications	34,649	15,742	50,391
Travel	26,394	29,423	55,817
Rent	126,742	9,709	136,451
Repair & Maintenance	13,075	25,894	38,969
Other Expenses	26,911	6,179	33,090
Total	347,847	216,228	564,075
EQUIPMENT AND INTANGIBLE ASSETS			
Equipment	140,698	14,954	155,652
Intangible Assets	584	4,137	4,721
Total	141,282	19,091	160,373
GRANTS			
From State Sources	431,165		431,165
From Federal Sources	220,629		220,629
Total	651,794		651,794
DEBT SERVICE			
Leases	1,752		1,752
Total	1,752		1,752
TOTAL PROGRAM EXPENDITURES	$1,864,178	$ 608,360	$2,472,538
GENERAL FUND			
Budgeted	$1,102,911	$ 2,000	$1,104,911
Actual	1,092,615	1,606	1,094,221
Unspent Budget Authority	$ 10,296	$ 394	$ 10,690
SPECIAL REVENUE FUND			
Budgeted[1]	$1,613,460	$ 718,879	$2,332,339
Actual	771,563	606,754	1,378,317
Unspent Budget Authority	$ 841,897	$ 112,125	$ 954,022

[1] See note 7 on page A-11.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-9.

LIBRARY COMMISSION
SCHEDULE OF BUDGETED PROGRAM EXPENDITURES BY OBJECT & FUND
BUDGET & ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 1992

	State Library Operations	Natural Resource Information System	Total
PERSONAL SERVICES			
Salaries	$ 565,779	$ 218,112	$ 783,891
Other Compensation	1,950		1,950
Employee Benefits	136,482	51,994	188,476
Total	704,211	270,106	974,317
OPERATING EXPENSES			
Other Services	100,841	174,332	275,173
Supplies & Materials	12,209	11,382	23,591
Communications	33,942	16,203	50,145
Travel	27,167	20,123	47,290
Rent	124,926	9,322	134,248
Repair & Maintenance	13,093	28,937	42,030
Other Expenses	11,814	12,547	24,361
Total	323,992	272,846	596,838
EQUIPMENT AND INTANGIBLE ASSETS			
Equipment	122,580	117,432	240,012
Intangible Assets	595	9,703	10,298
Total	123,175	127,135	250,310
GRANTS			
From State Sources	474,298		474,298
From Federal Sources	262,840		262,840
Total	737,138		737,138
DEBT SERVICE			
Leases	1,314	15,450	16,764
Total	1,314	15,450	16,764
TOTAL PROGRAM EXPENDITURES	$1,889,830	$ 685,537	$2,575,367
GENERAL FUND			
Budgeted	$1,175,988	$ 2,000	$1,177,988
Actual	1,071,150	1,807	1,072,957
Unspent Budget Authority	$ 104,838	$ 193	$ 105,031
SPECIAL REVENUE FUND			
Budgeted[1]	$1,865,049	$1,032,124	$2,897,173
Actual	818,680	683,730	1,502,410
Unspent Budget Authority	$1,046,369	$ 348,394	$1,394,763

[1] See note 7 on page A-11.

This schedule is prepared from the Statewide Budgeting and Accounting System. Additional information is provided in the notes to the financial schedules beginning on page A-9.

Notes to the Financial Schedules

For the Two Fiscal Years Ended June 30, 1993

1. Summary of Significant Accounting Policies

The Montana State Library Commission (library) uses the modified accrual basis of accounting, as defined by state accounting policy, for its Governmental Funds. In applying the modified accrual basis, the library records:

> Revenues when it receives cash or when receipts are measurable and available to pay current period liabilities.
>
> Expenditures for valid obligations when the library incurs the related liability and it is measurable.

State accounting policy also requires the library to record the cost of employees' annual leave and sick leave when used or paid.

Expenditures may include entire budgeted service contracts even though the library received the services in a subsequent fiscal year; goods ordered with a purchase order before fiscal year-end, but not received as of fiscal year-end; and equipment ordered with a purchase order before fiscal year-end.

Basis of Presentation

The financial schedule format is in accordance with the policy of the Legislative Audit Committee. The financial schedules are prepared from the Statewide Budgeting and Accounting System without adjustment. Accounts are organized in funds according to state law. The library uses the following funds:

Governmental Funds

General Fund - to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Fund - to account for proceeds of specific revenue sources legally restricted to expenditures for specific purposes. Library Special Revenue Funds include the Library Services and Construction Act grant, the Library's share (.38 percent) of the state's Coal Severance Tax, grant revenues received through other state agencies, and private sources.

Notes to the Financial Schedules

2. Annual and Sick Leave

Employees at the library accumulate both annual and sick leave. The library pays employees for 100 percent of unused annual and 25 percent of unused sick leave credits upon termination. Accumulated unpaid liabilities for annual and sick leave are not reflected in the accompanying financial schedules. The library absorbs expenditures for termination pay in its annual operational costs. At June 30, 1992 and at June 30, 1993, the library had a leave liability of $64,179 and $76,879, respectively.

3. Pension Plan

Employees are covered by the Montana Public Employees' Retirement System (PERS). The library's contribution to PERS was $50,388 in fiscal year 1991-92 and $57,501 in fiscal year 1992-93.

4. General Fund Balance

The General Fund is a statewide fund. Agencies do not have a separate General Fund since their only authority is to pay obligations from the statewide General Fund within their appropriation limits. Thus, on an agency's schedules, the General Fund beginning and ending fund balance will always be zero.

5. Cash Transfers In

The library receives some of its funding from the coal tax. This money is collected by the Department of Revenue and is recorded as revenue by that agency. The state accounting system uses a cash transfer to avoid duplicate recording of the same revenue. The cash collected and recorded as revenue by the department is automatically transferred at fiscal year-end to the library's records.

6. Revenue Overstatement

The fiscal year 1991-92 Grants, Contracts, and Donations revenue amount of $524,038 in the Special Revenue Fund includes $110,000 of advances that should have been deferred.

7. Budgeted Expenditures and Estimated Revenue

The library's Special Revenue Fund is primarily funded by federal grants for the Library Commission Program and performance of contracts by the Natural Resource Information System Program. Because of the nature of this funding, the level of expenditure activity and related revenue is difficult to predict. Therefore, the library has requested and received conservatively high levels of budget authority to accommodate high levels of activity. The library also receives biennial appropriations since the timing of certain expenditures is not known. The full amount of biennial budget authorization is included in the first fiscal year of the biennium. Because revenues generated are based on expenditures incurred, revenue estimates are also set conservatively high.

Agency Response

MONTANA STATE LIBRARY

MARC RACICOT, GOVERNOR

1515 E. 6TH AVENUE

STATE OF MONTANA

(406) 444-3115

PO BOX 201800
HELENA, MONTANA 59620-1800

January 25, 1994

Pearl M. Allen
Senior Auditor
Office of the Legislative Auditor
State Capitol
P.O. Box 201705
Helena, Montana 59620-1705

Dear Pearl:

We have reviewed the final report on the Financial-Compliance Audit for the Two Fiscal Years Ended June 30, 1993, of the State Library Commission. Attached is our agency response to your recommendation.

I wish to thank you and your staff for their excellent working relationship during the conducting of the audit and in follow-up meetings.

Sincerely,

Richard T. Miller, Jr.
State Librarian

cc James Gillett

"AN EQUAL OPPORTUNITY EMPLOYER"

AGENCY RESPONSE TO AUDIT RECOMMENDATION

Recommendation # 1

We recommend the library properly record outstanding advances.

Agency Response

We concur in this recommendation. The outstanding advance of $110,000 has been corrected to be shown properly as an outstanding advance.